



House of Representatives

General Assembly

File No. 233

February Session, 2002

Substitute House Bill No. 5642

House of Representatives, March 28, 2002

The Committee on Insurance and Real Estate reported through REP. OREFICE of the 37th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING COVERAGE FOR SMALL EMPLOYERS UNDER THE STATE EMPLOYEE HEALTH PLAN.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (i) of section 5-259 of the general statutes, as
2 amended by section 1 of public act 01-30, is repealed and the following
3 is substituted in lieu thereof (*Effective July 1, 2002*):

4 (i) The Comptroller may provide for coverage of municipal
5 employees, [or] employees of nonprofit corporations or employees of
6 small employers under the plan or plans procured under subsection (a)
7 of this section, provided: (1) Participation by each municipal employer,
8 [or] nonprofit corporation or small employer shall be on a voluntary
9 basis; (2) where an employee organization represents employees in a
10 municipality or nonprofit corporation, participation in a plan or plans
11 to be procured under subsection (a) of this section shall be by mutual
12 agreement of the municipal employer and the employee organization
13 only and neither party may submit the issue of participation to binding

14 arbitration except by mutual agreement; (3) no group of employees
15 shall be refused entry into the plan by reason of past or future health
16 care costs or claim experience; (4) rates paid by the state for its
17 employees under subsection (a) of this section are not adversely
18 affected by this subsection; (5) administrative costs to the plan or plans
19 provided under this subsection shall be paid by the participating
20 municipality, [or] nonprofit corporation or small employer at no
21 additional cost to the state; and (6) participation in the plan or plans in
22 an amount determined by the state shall be for the duration of the
23 period of the plan or plans, or for such other period as mutually
24 agreed by the municipality, [or] nonprofit corporation or small
25 employer and the Comptroller. The Comptroller, with the approval of
26 the Secretary of the Office of Policy and Management, may arrange
27 and procure for the employees under this subsection health benefit
28 plans that vary from the plan or plans procured under subsection (a) of
29 this section. Such alternate plans may be offered to municipal
30 employees on a fully underwritten basis only. Notwithstanding any
31 provision of law, such alternate plan may be offered to employees of
32 nonprofit corporations on either a fully underwritten or risk-pooled
33 basis at the discretion of the Comptroller. With respect to any plan
34 offered to a small employer, such plan shall be a plan issued pursuant
35 to part V of chapter 700c. For the purposes of this subsection, (A)
36 "municipality" means any town, city, borough, school district, taxing
37 district, fire district, district department of health, probate district,
38 housing authority, regional work force development board established
39 under section 31-3k, as amended, flood commission or authority
40 established by special act, regional planning agency, transit district
41 formed under chapter 103a, or the Children's Center established by
42 number 571 of the public acts of 1969; [and] (B) "nonprofit corporation"
43 means a nonprofit corporation organized under 26 USC 501(c)(3) that
44 has a contract with the state; and (C) "small employer" means a small
45 employer, as defined in subdivision (4) of section 38a-564, as amended.

This act shall take effect as follows:	
Section 1	July 1, 2002

INS *Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note**State Impact:**

Fund-Type	Agency Affected	FY 03 \$
GF - Potential Revenue Loss	Comptroller	Uncertain

Note: GF=General Fund

Municipal Impact: None

Explanation**Summary**

The bill extends eligibility for the Municipal Employees Health Insurance Program (MEHIP) to small employers with 50 or less employees. It also defines a small employer as a self-employed individual.

MEHIP Expansion

MEHIP is sponsored by the Office of the State Comptroller (OSC) and managed by a third party administrator. By design, any costs incurred by the program are passed on to the participants and therefore, the OSC will not bear any costs associated with inclusion of any new participants. As of March 1, 2002, there were 34 different groups participating in MEHIP, covering an estimated 3,000 lives.

There are an estimated 91,000 distinct employers with 50 or less employees, who employ approximately 521,000 persons. These figures from the Department of Labor do not include self-employed individuals. Any small employers opting to participate in MEHIP would incur both administrative and benefit costs.

State Revenue Impact

MEHIP coverage is excluded from the premium tax (1.75% of premium) imposed on health maintenance organizations. The number of small employers, currently receiving health care benefits that would then shift their coverage to this program is indeterminate at this time. Based upon the municipal participants, a revenue loss of \$52,500 per 1,000 employees participating would result.

OLR Bill Analysis

sHB 5642

***AN ACT CONCERNING COVERAGE FOR SMALL EMPLOYERS
UNDER THE STATE EMPLOYEE HEALTH PLAN*****SUMMARY:**

This bill adds employees of small employers to the list of employees for whom the comptroller, with the attorney general and the insurance commissioner's approval, is authorized to arrange or procure group hospital, medical, and surgical health insurance under the state employee plan. The bill specifies that the small employer law governs any plan arranged or procured by the comptroller and that small employers must comply with certain participation requirements.

The bill defines a small employer as any person, firm, corporation, limited liability company, partnership or association actively engaged in business for at least three consecutive months and, on at least 50% of its working days during the preceding 12 months, employed no more than 50 employees. It also defines a small employer as a self-employed individual.

EFFECTIVE DATE: July 1, 2002

STATE HEALTH INSURANCE PLAN***Participation Requirements***

The bill requires small employers to comply with the following requirements:

1. participation in the plan must be voluntary;
2. no group of employees may be denied participation because of past or future health care costs or claims experience;
3. rates paid by the state for its employees may not be adversely affected, and the administrative costs to the plan must be paid by participating small employers at no cost to the state; and
4. participation in an amount determined by the state must be for the plan's duration or such other period as mutually agreed by the

employer and comptroller.

BACKGROUND

Small Employer Law

Small employer plan premiums are based on a community rate, adjusted for age, gender, geographic area, industry, group size, and family composition. Rates cannot be based on the health status or the claims experience of the small employer or its employees and their dependents.

COMMITTEE ACTION

Insurance and Real Estate Committee

Joint Favorable Substitute

Yea 16 Nay 2